Final Real Estate Management Programmatic Environmental Impact Statement

EXECUTIVE SUMMARY

INTRODUCTION

The Trust Land Management Division (TLMD) of the Montana Department of Natural Resources and Conservation (DNRC or the Department) has prepared a Final Programmatic Environmental Impact Statement (FPEIS or PEIS) to analyze and disclose impacts, and compare alternative management strategies for real estate management on state Trust Lands. The preferred alternative will become the Real Estate Management Plan (Plan). The Plan will provide the Division's Real Estate Management Bureau (REMB) with consistent policy, direction and guidance in its management of real estate activities on the state's 5.2 million acres of Trust Lands.

THE PROPOSED PLAN

The Montana Environmental Policy Act (MEPA) requires the evaluation and disclosure of various management alternatives, from which the preferred alternative (the Plan) would be chosen. This process includes release of a Draft Programmatic Environmental Impact Statement (DPEIS) for public review and comment. The Final Environmental Impact Statement (FEIS) identifies the Preferred Alternative.

The Director of the Montana Department of Natural Resources and Conservation has decision-making authority for the Real Estate Management Programmatic Environmental Impact Statement. All state trust lands are under the direction and control of the State Board of Land Commissioners which includes the Governor, Superintendent of Public Instruction, State Auditor, Secretary of State, and Attorney General (Article X, section 4, 1972 Montana Constitution). The Land Board will have ultimate authority to implement the Real Estate Management Plan.

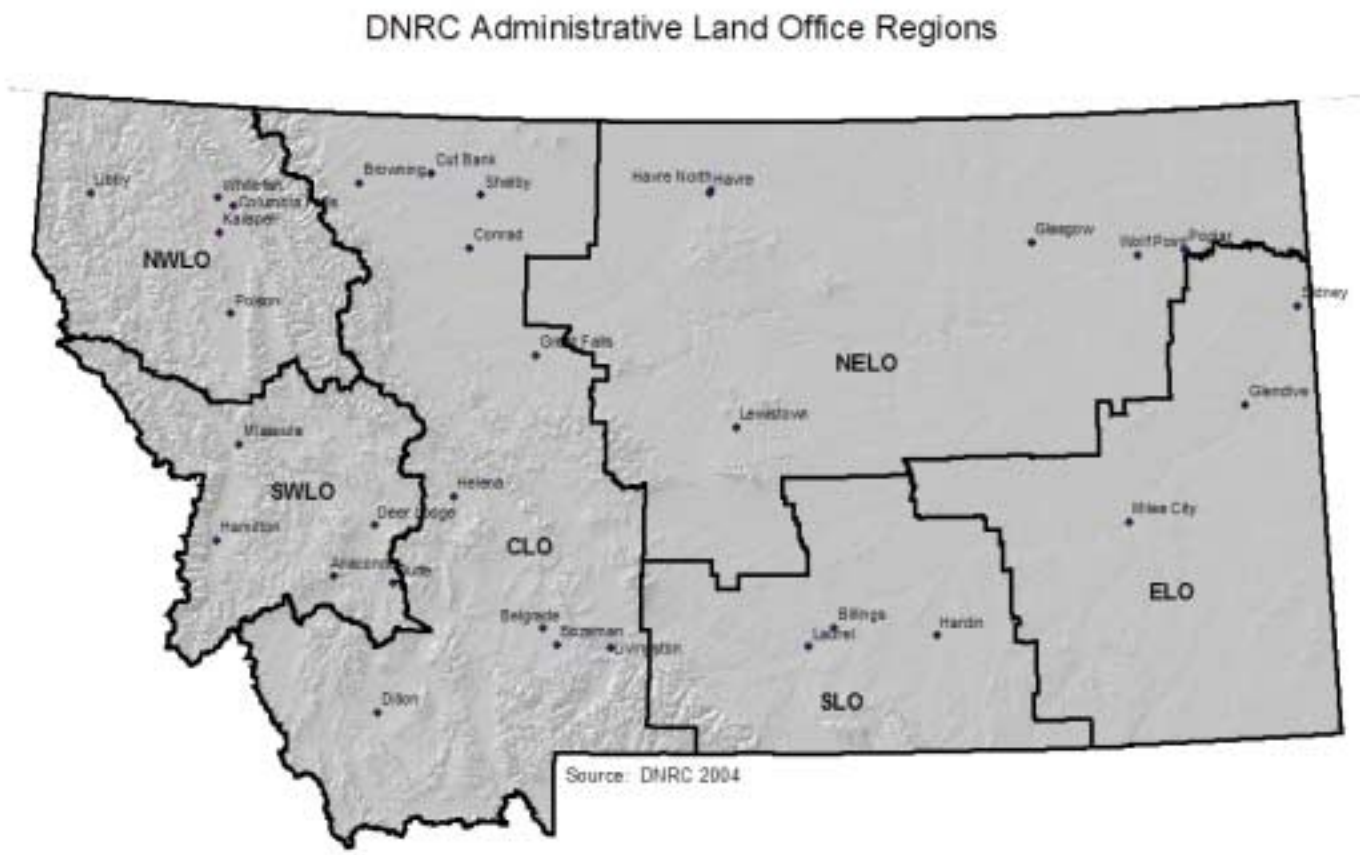
The mission of the TLMD is to "manage the State of Montana's Trust Land resources to produce revenues for the Trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land." Revenue is generated on behalf of the Trust Land beneficiaries, including public schools, K-12th grade and universities, and other public institutions and facilities. This is accomplished through the management of almost 5.2 million acres (plus subsurface rights) of Trust Lands granted to the State of Montana at statehood by the federal government. More particularly, the REMB is responsible for generating revenue from real estate activities on Trust Lands related to residential, commercial, and industrial and conservation land uses.

LEGAL AND ADMINISTRATIVE FRAMEWORK.

Legal Framework –Trust Lands were granted to the state by the Federal Government when Montana was admitted into the Union. Currently, Montana's Trust Land acreage totals more than 5.1 million surface and 6.2 million mineral acres. Montana's Constitution and Enabling Act (1889) expressly require that Trust Lands be managed to provide revenue in support of the beneficiaries of the Trust Lands. The courts have consistently upheld this mandate.

Administrative Framework – Pursuant to 77-1-301, MCA, the DNRC manages the surface and mineral resources for the benefit of the common schools and other endowed institutions in the State of Montana, within six administrative land offices, under the direction of the State Board of Land Commissioners. The Department's obligation for management and administration of Trust Land is to obtain the greatest benefit for the beneficiaries. The greatest monetary return must be weighed against the long-term productivity of the land to ensure continued future returns to the trusts. The division is divided into four bureaus: Forest Management, Mineral Management, Agriculture and Grazing Management, and Real Estate Management (REMB). The plan would only address management activities of the REMB.

Figure 2-1. DNRC Administrative Land Office Regions



The Current REMB Program – The REMB manages residential, commercial, industrial and conservation uses on Trust Lands and secondary uses on lands classified for timber, agriculture and grazing uses. Additionally, the REMB manages programs and processes for the issuance and acquisition of easements, the exchange of Trust Lands for private and federal lands, and the sales and purchases of Trust Lands. Under the current program, the REMB makes use of two categories of management tools – land use authorizations and land transactions in its management of residential, commercial, industrial, and conservation uses as outlined below:

- Land Use Authorizations – These provide for uses on Trust Lands for which the state is reimbursed but do not include the transfer of ownership. Authorizations include leases, licenses, and easements. Authority for the issuance and approval of land use authorizations rests with the DNRC.
- Land Transactions – Montana statute provides for the sale, purchase or exchange of Trust Lands. Authority for the issuance and approval of land use transactions rests with the State Board of Land Commissioners.

NEED FOR THE ACTION

The REMB is facing critical challenges in fulfilling its land management responsibilities. These challenges include:

- To undertake real estate management activities in a changing economic environment. Certain areas of Montana are enduring economic decline, others are experiencing rapid growth. In areas of high growth, opportunities exist to garner greater income on behalf of the Trust Land beneficiaries.
- To provide personnel with consistent policy, direction and guidance for the REMB in the management of state Trust Lands.

What Area will the Plan Address?

The Real Estate Management Plan will have application to the entire surface holdings of the TLMD, approximately 5.2 million acres statewide. The lands are, and will continue to be managed by six land offices, geographically distributed across the state.

What will the Plan not Address?

It will not determine any specific real estate program or project. It will not address site specific issues nor will it make specific land use allocations.

What Time Period would be Addressed by the Plan?

The selected Real Estate Management Plan will continue through the year 2025. However, the Plan will contain provisions for updates and revisions over time to reflect changing conditions.

OBJECTIVES OF THE PLAN

The objectives of the plan are to identify a land management philosophy for the REMB and to:

- Generate increased revenue for Trust Land beneficiaries greater than current levels
- Comply with the Montana Environmental Policy Act (MEPA) requirements for developing a programmatic plan, DNRC's administrative procedures regarding MEPA (ARM 36.2 et. Seq.) and the Montana Antiquities Act (22-3-424, MCA), in their most current form
- Provide a more effective and efficient decision-making framework for residential, commercial, industrial and conservation uses
- Simplify the project level evaluation process
- Protect the long-term viability of Trust Land for residential, commercial, industrial and conservation uses
- Provide an opportunity for public involvement in decisions affecting land uses on Trust Lands
- Develop ways to work more closely with local government processes and policies

PURPOSE OF THE PROGRAMMATIC ENVIRONMENTAL IMPACT STATEMENT (PEIS)

The purpose of this PEIS is to identify and evaluate alternative strategies for performing the program responsibilities of the REMB. In keeping with this purpose, essential components of this PEIS are to:

- Identify the roles, duties, and purpose of the REMB.
- Identify a systematic process for proposing and evaluating land use proposals on school Trust Lands;
- Evaluate the social, economic, and environmental effects of alternative plan philosophies; and
- Select a preferred plan to guide the decisions of the REMB.

THE SCOPE OF THIS PEIS

This PEIS presents a series of alternative programmatic management approaches and evaluates their potential environmental effects. It does not address any specific real estate program or project. It does not address site specific issues nor does it make specific land use allocations. Individual activities of the REMB will be subject to the provisions set forth in MEPA.

AREAS OF CONTROVERSY AND CONCLUSIONS

Issues that were identified through the initial public scoping process and by a DNRC staff are as follows:

.

1. In order to meet its fiduciary responsibilities to the beneficiaries, the DNRC must increase revenue associated with the management of commercial, industrial, residential and conservation uses on Trust Lands.
2. The REMB is managing land uses in a reactive manner without the benefit of well-defined planning process or decision making framework.
3. The REMB currently lacks a methodology for determining the suitability of land for the development of the various uses under its jurisdiction.
4. A successful real estate program will rely on a close association with local land use planning and regulatory processes.
5. The relationship of the statutory requirements under MEPA to the selection and development of projects on Trust Lands is unclear.
6. There is a need to identify opportunities for Categorical Exclusions (CE's), as provided under MEPA, consistent with the purpose for development of a programmatic plan (ARM 36.2.522(5)
7. The REMB requires guidance in addressing the growth inducing impacts of development of commercial, residential and industrial uses on Trust Land
8. The REMB requires guidance in addressing the impacts of growth with respect to transportation, air quality, noise, and other environmental concerns.
9. The REMB requires guidance in addressing open space and wildlife habitat needs while providing income for trust beneficiaries.
10. The filter process should include biological filters and clearly define relationships to local land use regulations.
11. DNRC needs to track costs of the program, not just revenue.
12. The Plan should identify lands that would be developed.
13. The REMB should be proactive in project identification and project involvement to ensure desired land uses outcomes.

In recent years, the people of the State of Montana have become increasingly concerned about the level of funding for public education. This concern came to light in a recent Montana District Court decision (April, 2004), that found Montana is violating its own Constitution by failing to adequately fund public education and must have a new financing plan in place by October of 2005. Although the final disposition of the case is not clear, the contribution that Trust Lands can make to the school funding base, will become increasingly important as the state struggles with finding sources of revenue to address school funding needs. At the same time, the Montana economy is becoming increasingly dependent on non-resource based industries. According the U.S. Bureau of Economic Analysis, the largest industries in Montana in 2001 were services, constituting 27.7 percent of earnings; state and local government, 14.9 percent; and retail trade, 11.3 percent.

The majority of Trust Lands will continue to be managed for their resource values under any of the alternatives presented in this PEIS. Grazing lands comprise almost 80 percent of the total surface acres managed by the TLMD. Agricultural (farming) land comprises about 11 percent of the total surface acres and forested acres comprise about 9 percent of the total land base. Non-resource

based activities including commercial, industrial and, residential uses comprise less than one percent of the Trust Land base.

In many cases, the Trust Lands that offer the greatest opportunity for non-resource based development are those that are in growing communities where land use activities often have a high level of public interest. Each of the six alternatives adhere to a close association with the local project review processes to maximize public involvement and participation in the land use decision-making process.

THE ALTERNATIVES

Alternatives Considered but Eliminated From Detailed Study

DNRC is required to consider only alternatives that are realistic, technologically available, and that represent a course of action that bears a logical relationship to the proposal being evaluated (36.2.5552.b ARM; 75-1-201 (2) (iv) (C) (I), MCA).

Minimal/Passive

Some commentators suggested that the DNRC consider a passive alternative, where the REMB would defer new residential, commercial and industrial uses and allow existing land use authorizations to expire. The only uses allowed would have to be non-consumptive, non-extractive, and reversible. Land use activities involving commercial, industrial and residential development would not be authorized. Sales, exchanges and easements would be minimal. This alternative was eliminated from detailed study because it conflicts with the Mission of the Trust Lands Management Division and first objective of the proposed action: Generate increased revenue for trust beneficiaries.

Aggressive Management

Some commented that the REMB should aggressively market residential, commercial and industrial uses wherever possible and use all exemptions available to maximize income to the beneficiaries. The DNRC should accept some adverse environmental effects and adverse public comment in order to earn greater revenue for the trust beneficiaries. This alternative was eliminated because it conflicts with the following objectives listed in Section 1.3:

- It would be in direct conflict with the TLMD's mission to manage Trust Land resources to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land.
- It would de-emphasize opportunities for public involvement in decisions affecting real estate management.
- It would not simplify the project level evaluation process

Long Term Resource Management and Conservation

Some suggested REMB emphasize the protection of wildlife habitat, open space and public recreation opportunity, and the placement of public facilities on Trust Lands. Residential,

commercial and industrial uses would be considered only to the degree that such uses enhanced or did not conflict with these primary resource values.

The primary focus would be placed on using lease and easement agreements and other conservation strategies for the preservation of wildlife habitat, open space, and other natural and cultural resources. This approach would be primarily taken in rural areas, although in certain circumstances it may be appropriate in urban areas with unique natural resource values. If there were conflicts, wildlife and natural resource values would take precedence over all other uses, including public access and recreation.

This alternative was eliminated because it did not address the TLMD's mission related to the generation of revenue for the beneficiaries. In addition, conservation would be a possible land use under any of the alternatives being considered in this EIS, provided the Trusts were fully compensated for the foregone development rights. Finally, current legislation (77-2-101, MCA) limits the use of conservation easements on Trust Lands. Under this statute, conservation easements may only be granted to the Montana Department of Fish, Wildlife, and Parks (FWP) for parcels that are surrounded by or adjacent to land owned by FWP as of January 1, 2001. Easements may be awarded to a nonprofit corporation only for parcels that are surrounded by or adjacent to land owned by that same nonprofit corporation as of January 1, 2001. However, Alternatives B-1 and C-1 were influenced by these concepts.

Alternatives Presented

This PEIS presents six alternative approaches to real estate management developed in response to and driven by the issues, including a no-action alternative. Under all the alternatives:

- Trust Lands would share proportionately in varying degrees to the future growth of commercial, industrial, and residential land uses within the six land office regions of the state.
- The suitability of Trust Lands for developed and conservation uses would be determined with respect to the physical and natural environment as well as to the proximity to community services and other considerations as described by a funnel filter approach.
- The REMB would utilize Real Estate Identification Team (REIT) approach to prioritize project opportunities on a state-wide basis
- All land use proposals on Trust Lands would be subject to local land use regulatory processes as appropriate.
- All alternatives would permit for unlimited conservation uses.

Evaluation measures for each alternative primarily pertain to acres of new developed or conservation uses and how those uses on Trust Lands would affect the natural and social environment and the revenue return to the beneficiaries. The acreage estimates of increased revenue-generating uses of Trust Lands are not goals or targets. The levels (acres) of development provide a measurement for monitoring the progress of the REMB in achieving its desired share of the anticipated growth in land use.

The Real Estate Management Program alternatives described in this Programmatic EIS depict varying levels of participation by DNRC in the growth market in Montana. Tables E-1 and E-2 present estimates of total anticipated rural residential and commercial/industrial growth measured in acres on *all* lands in each DNRC land office region. A proportion of this total expected growth that could occur on state trust lands is identified by alternative.

Table E-1. Growth Estimates for Rural Residential Acreages on all Land Ownerships

Land Office Region	Growth Estimates (acres) by Time Period				
	2003-2010	2011-2015	2016-2020	2021-2025	Totals
NWLO	10,776 – 17,960	7,016 – 11,694	7,181 – 11,968	7,474 – 12,456	32,446-54,078
SWLO	8,575 – 14,291	5,918 – 9,863	6,122 – 10,203	6,344 – 10,574	26,959-44,931
CLO	2,739 – 4,565	5,293 – 8,821	5,570 – 9,283	5,818 – 9,696	19,420-32,365
NELO	(225) – (135)	46 - 76	67 - 111	96 – 160	(16) - 212
SLO	3,270 – 5,450	2,197 – 3,661	2,289 – 3,815	2,405 – 4,008	10,161-16,934
ELO	(213) – (128)	31 - 51	72 - 120	49 - 81	(61) - 124
Grand Total	24,922 – 42,003	20,501 – 34,166	21,301 – 35,400	22,186 – 36,975	88,909-148,644

Jackson, 2004

Table E-2. Growth Estimates for Commercial/Industrial Acreages on all Land Ownerships

Land Office Region	Growth Estimates (acres) by Time Period				
	2002-2010	2011-2015	2016-2020	2021-2025	Totals
NWLO	2,540 – 4,234	1,678 – 2,796	1,854 – 3,090	2,051 – 3,418	8,123-13,538
SWLO	3,157 – 5,261	2,090 – 3,483	2,344 – 3,906	2,615 – 4,358	10,206-17,008
CLO	3,784 – 6,306	2,379 – 3,965	2,685 – 4,475	2,977 – 4,961	11,825-19,707
NELO	777 – 1,295	615 – 1,025	668 – 1,114	736 – 1,226	2,796-4,660
SLO	2,606 – 4,344	1,725 – 2,875	1,935 – 3,225	2,159 – 3,598	8,425-14,042
ELO	320 - 533	132 - 220	155 - 258	170 - 283	777-1,294
Grand Total	13,184 – 21,973	8,619 – 14,364	9,641 – 16,068	10,708 – 17,844	42,152-70,249

Jackson, 2004

Alternative A – The Current Program

Under this alternative, REMB would move the existing real estate program forward into the future in a fashion that remains cognizant of current market conditions. New projects would be identified and prioritized primarily based upon outside inquiries and/or proposals from DNRC personnel with land planning expertise. Under this alternative, it is expected that Trust Lands would realize less, on a proportional basis, than a fair share of the regional market growth. Estimated residential, commercial, and industrial growth under Alternative A assumes Trust Lands share 2-5% of the new

anticipated growth, depending on location. The projected range of annual growth of "rural residential" and "commercial/industrial" on Trust Lands is presented in Tables E-3 and E-4.

Table E-3. Alternative A: Growth Estimates for Rural Residential Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period			
	2003-2010	2011-2015	2016-2020	2021-2025
NWLO	539 - 898	351 – 585	395 – 599	374 – 623
SWLO	300 - 500	207 – 345	215 – 358	222 – 370
CLO	110 - 183	212 – 353	223 – 371	233 – 358
NELO	(10) – (6)	2 – 4	3 – 5	5 – 8
SLO	65 - 109	44 – 74	46 – 76	48 – 80
ELO	(5) – (9)	2 - 3	3 – 5	2 - 4
Total Ranges	999-1675	818-1364	885-1414	884-1443

Table E-4. Alternative A: Growth Estimates for Commercial/Industrial Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period			
	2002-2010	2011-2015	2016-2020	2021-2025
NWLO	127 – 212	84 – 140	103 – 171	102 – 171
SWLO	111 – 184	73 – 122	92 – 153	92 – 153
CLO	151 – 252	95 – 159	119 – 199	119 – 199
NELO	35 – 58	28 – 46	33 – 55	33 – 55
SLO	52 – 87	35 – 58	43 – 72	43 – 72
ELO	13 - 21	5 - 9	7 – 11	7 - 11
Total Ranges	489-814	320-534	397-661	396-661

Under Alternative A, the current program, the REMB considers conservation opportunities as a priority on a percentage of those Trust Lands lying adjacent to existing conservation type lands. These would include federally designated areas such as National Parks and Monuments, Wilderness Areas, Wild and Scenic Rivers; Wildlife and Game Refuges and Public/Private Conservation Easements (hereinafter referred to as conservation type lands).

Staffing and staffing expertise would remain unchanged. There may be some limited sharing of personnel among Land Offices where certain expertise may be brought to a specific project on an as needed basis.

The projected rate of return on equity for Alternative A would be approximately 2.76%.

Alternative B – Diversified Portfolio

Alternative B seeks to secure a broad based portfolio of income producing properties. This would be accomplished through proactive strategies intended to keep pace with regional market growth and by capturing opportunities identified by others. The REMB would make use of a funnel filtration process and assume a more active role [as compared to Alternative A] in creating new revenue opportunities for the trusts. This would include the identification of lands suitable for development and the active pursuit of the entitlements that would help position the lands in the market place. In addition, more staff resources would be directed towards selecting and ranking projects for more specific project level review.

The range of projected annual growth of "rural residential" and "commercial/industrial" on Trust Lands under Alternative B is presented in Tables E-5 and E-6. These values represent a direct proportion of shared growth based upon the proportion of Trust Lands to other land ownerships (minus "federal" and "water") within a specific land office region

Table E-5. Alternative B: Growth Estimates for Rural Residential Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period			
	2003-2010	2011-2015	2016-2020	2021-2025
NWLO	1077 – 1795	702 – 1170	718 – 1196	747 – 1245
SWLO	600 – 1000	414 – 690	428 – 714	444 – 740
CLO	219 – 365	424 – 706	446 – 743	467 – 776
NELO	(12) – (20)	5 – 8	6 – 10	8 – 14
SLO	131 - 218	88 – 146	92 - 153	96 – 160
ELO	(11) – (18)	2 – 4	6 - 10	4 - 6
Total Ranges	2004-3340	1635-2724	1696-2826	1766-2165

Table E-6. Alternative B: Growth Estimates for Commercial/Industrial Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period			
	2002-2010	2011-2015	2016-2020	2021-2025
NWLO	254 – 423	168 – 280	185 – 309	205 – 342
SWLO	221 – 368	146 - 244	164 – 274	183 – 305
CLO	303 – 505	190 – 317	215 – 358	238 – 397
NELO	70 – 117	55 – 92	60 – 100	66 – 110
SLO	104 – 174	69 – 115	77 – 129	86 – 144
ELO	26 - 43	11 - 18	12 - 21	14 - 23
Total Ranges	978-1630	639-1066	713-1191	792-1321

Under Alternative B, the REMB would consider conservation opportunities a priority on a percentage of those Trust Lands lying within one half mile of land with existing conservation type lands. Conservation use would generally be achieved through the sale or lease of development rights on lands with residential values.

Alternative B would require the allocation of additional financial resources to the REMB. Additional funding would be necessary for increased staffing and project support, including costs to improve land entitlements. Additional funding sources may be sought to achieve program objectives through a development improvement fund (revolving) and a percentage share of lease and sale revenue.

The projected rate of return on equity for Alternative B would be approximately 4.66% - 5.13%, with the latter value reflecting the added benefit of improved land entitlements.

Alternative B-1 – Diversified Portfolio – Conservation Priority

Alternative B-1 incorporates all of the elements of Alternative B with the exception of Conservation uses on Trust Lands. As under Alternative B, the REMB would consider conservation opportunities a priority on a percentage of those Trust Lands lying within one half mile of lands with existing conservation authorizations. Conservation use would generally be achieved through the sale of development rights on lands with residential values. Half of the estimated rural residential development on Trust Lands anticipated under Alternative B would be set aside for additional conservation opportunities. The projected rate of return on equity for Alternative B-1 would be approximately 4.46% .

Alternative C – Focused Portfolio

Under this alternative, the REMB would actively evaluate the Trust Land revenue opportunities on a continual basis to determine a full range of project opportunities. The REMB would react quickly to market opportunities and attempt to realize a higher proportion of the anticipated growth in regional markets. Projects that return the highest net revenue to the trusts would be given higher priority under this alternative.

The projected range of annual growth of "rural residential" and "commercial/industrial" on Trust Lands under Alternative C is presented in Tables E-7 and E-8. Depending on the land office region, growth of residential, commercial, and industrial uses on Trust Land would range between 8 and 20% of the anticipated growth of those sectors. These percentages assume that Trust Lands will experience a higher proportion (on a per acre ratio with other lands) of residential, commercial, and industrial uses.

Table E-7. Alternative C: Growth Estimates for Rural Residential Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period				
	2003-2010	2011-2015	2016-2020	2021-2025	Total
NWLO	2156 – 3592	1403 – 2339	1436 – 2394	1495 – 2491	6490-10816
SWLO	1200 – 2000	829 – 1381	857 – 1429	888 – 1480	3774-6290
CLO	438 – 730	847 – 1411	891 – 1485	931 – 1551	3107-5177
NELO	(24) – (40)	8 – 14	12 – 20	17 – 29	13-23

Table E-7. Alternative C: Growth Estimates for Rural Residential Acreages on Trust Lands					
Land Office Region	**Growth Estimates (acres) by Time Period**				
	2003-2010	**2011-2015**	**2016-2020**	**2021-2025**	**Total**
SLO	289 – 481	176 – 293	183 – 305	193 – 321	841-1400
ELO	(20) – (34)	5 - 9	12 - 20	8 - 13	5-8
Total Ranges	4039-6729	3268-5447	3391-5653	3532-5885	14230-23714

Table E-8. Alternative C: Growth Estimates for Commercial/Industrial Acreages on Trust Lands					
Land Office Region	**Growth Estimates (acres) by Time Period**				
	2002-2010	**2011-2015**	**2016-2020**	**2021-2025**	**Total**
NWLO	508 – 847	336 – 559	371 – 618	410 – 683	1625-2707
SWLO	442 – 737	293 – 488	328 – 547	366 – 610	1429-2382
CLO	605 – 1009	381 – 634	430 – 716	476 – 793	1892-3152
NELO	140 – 233	111 – 185	120 – 200	133 – 221	504-839
SLO	208 – 347	138 – 230	155 – 258	173 – 288	674-1123
ELO	51 - 85	21 - 35	25 - 41	27 - 45	124-206
Total Ranges	1954-3258	1280-2131	1429-2380	1585-2640	6248-10409

Under Alternative C, the Bureau would consider conservation opportunities as a high priority on a percentage of those Trust Lands that lie within one mile of lands with existing conservation authorizations. Conservation use would generally be achieved through the sale or lease of development rights on lands with residential values.

Alternative C would require a more specialized staff. While the Bureau would still try to share expertise among Land Offices, the level of activity would require a larger staff over all. As under Alternative B, expertise would be needed in planning, real estate, appraisal, marketing and finance. It is estimated that four additional staff would be required as compared to Alternative A.

The projected rate of return on equity for Alternative C would be approximately 5.48% - 6.35%, with the latter value reflecting the added benefit of improved land entitlements.

Alternative C1 – Focused Portfolio – Conservation Priority

Alternative C-1 incorporates all of the elements of Alternative C with the exception of Conservation uses on Trust Lands. As under Alternative C, the REMB would consider conservation opportunities a priority on a percentage of those Trust Lands lying within one mile of lands with existing conservation authorizations. Conservation use would generally be achieved through the sale of development rights on lands with residential values. Half of the estimated rural residential development on Trust Lands anticipated under Alternative C would be set aside for additional

conservation opportunities. The projected rate of return on equity for Alternative B would be approximately 5.14%.

Alternative D – Focused Entitlements

Alternative D is a blending of alternatives A, B, B-1, C, and C-1identified in the DEIS. The goal of "D" is to share proportionately with anticipated community growth (as proposed under "B") but the philosophy of "D" is to focus more on improving land entitlements to maximize income to the trusts and comply with local, state, and federal regulations. Proactive land use planning, as particularly emphasized in Alternative C, is a central theme to achieving desired land entitlements with outcome objectives that promote good community planning. The level at which this alternative may be implemented will be dependent on the vigor of the real estate market, the position of trust lands in those growing markets, and level of staffing and associated budgets.

Tables E-5 and E-6 identify the acres of "rural residential" and "industrial/commercial" that might develop on trust lands through the life of the plan with implementation of Alternative D. These estimates are not intended to be targets that must be achieved by each of the area land offices. The actual outcome of developed acreages is dependent on the position of state trust lands in growing markets, staffing (type and number), and budgets. Successful implementation could achieve acreage numbers in the range of Alternative C in areas where trust lands are well positioned in growing markets with adequate staffing and budgets. The status–quo situation could result (with numbers similar to those identified for Alternative A) if the philosophy of D (staffing, funding, markets and position of trust lands, etc) is not accomplished. The status-quo situation may reflect low entitlements and the former (successful implementation) high entitlements, which also correspond to low and high number of acres, projects, and rates of return, respectfully. In all cases, DNRC would seek to increase the entitlements to properties that are included in the project list. The preferred goal is to match the market (as further defined in the Physical Suitability Filter) of a given land office region (philosophy of B), regardless of whether those resulting numbers may be high or low to the acreage estimates identified by alternative. An acreage "cap" is defined to trigger mandatory reevaluation of the plan if the "caps' are exceeded.

The conservation and staffing requirements are as described for Alternative B.

ALTERNATIVES – COMPARISONS AND TRADE-OFFS

The main difference between the alternatives is the relative degree to which the REMB will participate in and benefit from the expected increase of demand in land uses in Montana. Differences among alternatives relate to the philosophical approaches (emphases) to land management in responding to growth in the residential, commercial, and industrial sectors of the economy. The main tradeoffs between the alternatives include:

- **Level of staffing and expertise available** – A greater level of staffing would enable the REMB to engage in more real estate activities and therefore realize a higher benefit to the Trust.
- **Amounts of revenue generated on behalf of the Trust Land beneficiaries** – The amount of revenue would vary by alternative, with Alternative A – the Current Program

generating the least and Alternative C – Focused Portfolio generating the most. Increased initial investments in personnel and land entitlements result in a greater return on investment.

- **The extent to which various real estate tools are employed** – Alternatives B, B-1, C, C-1, and D would require greater employment of real estate tools including both land transactions and authorizations.
- **The amount of money directed to the improvement of entitlements.** – Expenditures made to improve entitlements would increase under Alternatives B, B-1, C, C-1 and D and would result in a higher return on investment. (Entitlements are land use authorizations such as those provided through local zoning ordinances and physical improvements that facilitate growth such as roads and sewer systems.)

SELECTION OF A PREFERRED ALTERNATIVE

The preferred alternative is Alternative D.

ENVIRONMENTAL EFFECTS

A systematic land suitability and project identification process would guide all project level decisions under the proposed plan alternatives. A funnel filter process defines an approach that begins with a land suitability analysis at a landscape level and moves through a series of economic and site evaluation processes to help identify lands that may have some suitability for future development or conservation opportunities. Lands generally unsuitable for developed uses would fall out early in the process. All aspects of the physical, biological, and social environment are considered. A basic assumption is that all land use proposals would ultimately be reviewed, as appropriate, under local land use regulations. Project impacts and project mitigation measures would be identified through these series of processes. MEPA compliance would also be considered for all project actions.

SUMMARY COMPARISON OF THE EFFECTS OF ALL ALTERNATIVES ON THE PROJECT OBJECTIVES AND ON THE RELEVANT ENVIRONMMENTAL FACTORS

The alternatives consider growth options for “commercial”, “conservation”, “industrial”, and “residential” on school Trust Lands. In each alternative, an assumption is made that Trust Lands would share (not create) expected future growth. It is assumed that the expected growth would occur regardless; and that certain Trust Lands may actually be suitable and capable of capturing some of that expected growth. In certain situations, it could be argued that development of some Trust Lands may be more environmentally appropriate than development of non-Trust Lands. This would be the situation if development activities were forced to “leap” beyond Trust Lands to meet local development demands or if Trust Lands were better positioned for development due to favorable topography, location, and access to infrastructure. The only clear distinction of impacts relates to the management objectives of the TLMD and revenue parameters. For example, it can be assumed that increased development (including conservation) on Trust Lands would generate more revenue to the trust beneficiaries and more taxes (property and personal) to local and state agencies. Under each of the alternatives, new development potential on Trust Lands never exceeds 1% of the total Trust Land acreage through the year 2025. The percentage share of development is even less

significant when considered in the context of the entire acreage (all landowners). Table E-9 attempts to summarize the management and environmental distinctions between alternatives without consideration of the broader context of land use development on non-Trust Lands.

Table E-9. Summary Comparison of Effects						
	Alternatives					
	A	B	B-1	C	C-1	D
Growth By Land Use Type						
Residential	+	++	+	+++	++	++
Commercial	+	++	++	+++	+++	++
Industrial	O	+	+	+	+	+
Conservation	+	+	++	+	+++	++
Growth By Location						
Urban	O	+	+	++	++	++
Suburban	O	+	+	++	++	+
Rural	O	+	O	++	+	+
Project Selection by DNRC						
Reactive	O	+	+	+	+	+
Proactive	O	+	+	++	++	++
Real Estate Tools						
Leases	O	+	+	++	++	++
Licenses	O	+	+	+	+	+
Easements	O	+	+	+	+	+
Land Banking	O	+	+	++	++	+
Land Exchanges	O	+	+	++	++	+
Land Sales	O	+	+	+	+	+
Joint Ventures	O	+	+	++	++	++
Marketing	O	+	+	++	++	+
Property Purchases	O	+	+	++	++	+
Project Management Roles						
DNRC	O	+	+	++	++	++
Developer	O	+	+	+	+	+
Local Government	O	+	+	+	+	+
Partnerships	O	+	+	++	++	++
Administrative Support						
Staffing	O	+	+	++	++	+
Funding	O	+	+	++	++	+
Statutory Authorizations	O	+	+	+	+	+
Financial						
Revenue to Trust	+	++	+	+++	++	++
Tax Revenue	+	++	+	+++	++	++
PILT	O	O	O	O	O	O
Job Creation	O	+	O	++	+	+
Asset Management	O	+	+	++	++	+
Environmental Review						

Table E-9. Summary Comparison of Effects						
	Alternatives					
	A	B	B-1	C	C-1	D
Local Land Use Regulations	+	+	+	+	+	+
MEPA	+	+	+	+	+	+
Environmental Affects						
Geology & Soil	O	+	+	+	+	+
Water Resources	O	O	O	O	O	O
Fisheries	O	O	O	O	O	O
Wildlife	O	+	+	+	+	+
Vegetation	O	+	+	+	+	+
Air Quality	O	+	+	+	+	+
Noise	O	+	+	+	+	+
Aesthetics	O	O	O	O	O	O
Cultural	O	O	O	O	O	O
Community Infrastructure	O	O	O	O	O	O
Taxes	O	+	+	++	++	+
Note: O = current condition; + = elevated and relative impact from current condition						

DNRC has used available environmental data concerning the existing Real Estate Management Program to predict environmental effects associated with each alternative. The affected environment is described in Chapter 3 of the PEIS and the prediction of effects on environmental resources is described in Chapter 4.

Summary Table of Predicted Attainment of Objectives

Table E-10 depicts the degree to which each Alternative Meets Project Objectives

Table E-10. Summary of Predicted Attainment of Objectives						
Objective	A	B	B1	C	C1	D
Objective 1	+	++	+	+++	++	++
Objective 2	+	+	+	+	+	+
Objective 3	O	+	+	+	+	++
Objective 4	O	+	+	+	+	+
Objective 5	O	+	+	+	+	+
Objective 6	O	+	+	+	+	++
Objective 7	O	+	+	++	++	++

Note: "O" indicates a status quo relationship and + indicates a strong relationship

RELATIONSHIP OF ALTERNATIVES TO ISSUES RAISED IN THE SCOPING PROCESS

Based on comments received and on prior experience with the administration of the Real Estate Management Bureau, the DNRC staff identified the following issues for evaluation in this PEIS:

1. In order to meet its fiduciary responsibilities to the beneficiaries, the DNRC must increase revenue associated with the management of commercial, industrial, residential and conservation uses on Trust Lands.
2. The REMB is managing land uses in a reactive manner without the benefit of well-defined planning process or decision making framework.
3. The REMB currently lacks a methodology for determining the suitability of land for the development of the various uses under its jurisdiction.
4. A successful real estate program will rely on a close association with local land use planning and regulatory processes.
5. The relationship of the statutory requirements under MEPA to the selection and development of projects on Trust Lands is unclear.
6. There is a need to identify opportunities for Categorical Exclusions (CE's), as provided under MEPA, consistent with the purpose for development of a programmatic plan (ARM 36.2.522(5)
7. The REMB requires guidance in addressing the growth inducing impacts of development of commercial, residential and industrial uses on Trust Land
8. The REMB requires guidance in addressing the impacts of growth with respect to transportation, air quality, noise, and other environmental concerns.
9. The REMB requires guidance in addressing open space and wildlife habitat needs while providing income for trust beneficiaries.
10. The filter process should include biological filters and clearly define relationships to local land use regulations.
11. DNRC needs to track costs of the program, not just revenue.
12. The Plan should identify lands that would be developed.
13. The REMB should be proactive in project identification and project involvement to ensure desired land uses outcomes.
14. Development on trust lands should not be subsidized by the state or by local jurisdictions.

Table E-11 summarizes how these issues are reflected in the design of the alternatives presented in this chapter.

Table E-11. Issues As Addressed by Alternatives								
Issue #	**Alternatives**						**Document Reference by Section**	**Supportive Statement**
	A	**B**	**B-1**	**C**	**C-1**	**D**		
1	O	++	+	+++	++	++	2.3, 2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.9.1, 3.2.3, 3.2.4, 3.2.5, 4.1.3, 4.2.3, 4.2.4	All action alternatives provide for increased revenue to the beneficiaries. Increased revenue is linked to market share of residential, commercial, and industrial uses.
2	O	+	+	+	+	++	2. 1, 2.3.1, 2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2	The funnel filter analysis and project selection process provide a framework for decision-making for all action alternatives. All alternatives require compliance with local land use regulatory processes.
3	O	+	+	+	+	+	2. 1, 2.3.1, 2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2	The funnel filter process includes a landscape assessment of general land suitability and a demographic and market analysis to link growth objectives to regional market conditions. Other layers of the filter process are project level evaluations that help to further narrow land use options.
4	O	+	+	++	++	++	2.3.1, 2.6 (all subsections), 3.2.4, 3.2.6, 4.1, 4.1.3, 4.2.5, 4.2.6, 4.2.7, 4.2.7, 4.2.10, 4.2.12, 4.2.13, 4.2.15, 4.3, 5.2, 5.3	An underlying premise of all alternatives, including the current program is that the REMB would work with local government land planning and regulatory processes.
5	O	+	+	+	+	++	2.3.1, 2.6 (all subsections), 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3, 5.3	Under all the action alternatives, potential and proposed projects will be subject to a well-defined funnel filtration process that will address a variety of site suitability issues. Through local land use regulatory processes, the REMB will meet a substantial portion of its responsibility under MEPA. MEPA remains the final check before DNRC approves a project.
6	O	+	+	+	+	+	2.3.1, 2.6 (all subsections), 3.2.4, 3.2.6, 4.1, 4.1.3, 4.2.5, 4.2.6, 4.2.7, 4.2.7, 4.2.10, 4.2.12, 4.2.13, 4.2.15, 4.3, 5.1	Compliance with local land use regulatory processes will, in certain cases, address most of the Department's responsibilities under MEPA and support rationale for a more simplified MEPA document. Chapter 5 provides good documentation of this relationship.

Table E-11. Issues As Addressed by Alternatives								
Issue #	**Alternatives**						**Document Reference by Section**	**Supportive Statement**
	A	**B**	**B-1**	**C**	**C-1**	**D**		
7	O	++	++	++	++	++	2.3.1, 2.6 (all subsections), 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3	An underlying assumption is that Trust Lands will share in expected community growth. The funnel filter analysis provides a framework for decision-making for all action alternatives regarding growth inducing impacts, such as sprawl. Local regulatory review of DNRC projects would address many of the growth inducing issues of development within the broader community.
8	O	+	+	+	+	+	2.3.1, 2.6 (all subsections), 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3	The funnel filter analysis provides a framework for decision-making for all action alternatives with respect to overall environmental concerns. The funnel process includes both physical and biological filters plus site review criteria and market analysis. Review and approval of projects at the local government level would, in many instances, address these and other issues.
9	O	+	+	+	+	++	2.3.1, 2.6 (all subsections), 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3	The funnel filter analysis provides a framework for decision-making for all action alternatives with respect to wildlife and habitat protection. Coordination between the HCP and the SFLMP is also anticipated. None of the 6 alternatives limit opportunities for securing conservation rights on trust lands.
10	+	+	+	+	+	+	2.3.1, 3.2.6, 4.1, 4.14, 4.1.5, 4.2.8, 5.2, 5.3	The funnel filter is a performance based filter wherein certain lands are initially identified as being generally unsuitable for development, such as steep slopes and flood plains. The Final EIS includes 2 additional biological filters that would generally preclude most developed activities within the grizzly bear recovery areas of HCP lands and portions of lands adjacent to core bull trout streams. Local land use regulations and other state and federal regulations would recognize other biological filters.

Table E-11. Issues As Addressed by Alternatives								
Issue #	**Alternatives**						**Document Reference by Section**	**Supportive Statement**
	A	**B**	**B-1**	**C**	**C-1**	**D**		
11	+	+	+	+	+	+	2.6.6, 2.9.1, 3.2.5, 4.2.3, 4.3	The selected plan would include a monitoring program that tracks revenues and costs. The rates of return analyses consider both "costs" and "revenues".
12	+	+	+	+	+	+	1.1.2, 1.1.4, 1.5.3, 2.3.1, 2.6.6, 2.9.3, 2.9.5, 3.1, 4.1.5	The plan is programmatic; not an analysis of specific parcels or specific projects. The Plan provides a systematic approach for identifying project level opportunities. The plan selection process establishes a 1, 3, and 5 year project lists.
13	+	++	++	+++	+++	++ ++	2.6.1, 2.6.2, 2.6.6, 2.8, 2.9.4, 4.1.4, 4.2.4, 5.2	Most of the alternatives and Alternative D, in particular, attempt to offer a proactive strategy for identifying project level opportunities. Outcome objectives are generally defined by local project review and approval, through the establishment of land entitlements, and through RFP and joint venture processes.
14	O	O	O	O	O	O	2.3.1, 2.6.1, 2.6.2, 2.6.4, 2.6.6, 2.8, 2.9.2, 2.9.4, 2.9.7, 4.1.4, 4.2.4, 4.2.15, 4.2.16, 4.2.17, 5.2	The REMB intends to adhere to all local land use regulations including those that require development standards, impact fees, and such. Commercial and industrial uses would pay beneficial use taxes at the same rate as private lands.

CATEGORICAL EXCLUSIONS (CE's)

DESCRIPTIONS OF ACTIONS WHERE CATEGORICAL EXCLUSIONS WOULD BE CONSIDERED

As described in Chapter 5, CE's are appropriate in those situations where no significant impact will occur as a result of the exemption and as provided for in MCA 77-1-121. The level of MEPA review will be commensurate with DNRC's obligations under MCA 77-1-121 recognizing local governmental actions and associated analysis when appropriate.

Chapter 5 also details local government regulations and resulting actions, the level of analysis associated with those actions, and how they interrelate to satisfy MEPA requirements. Table E-12 lists those situations when categorical exclusions from MEPA documentation would be pursued under all alternatives.

Table E-12. MEPA Exclusions/Exemptions – When Considered/Applied
Exempt per 36.2.523(5) A.R.M.
Lease and License administration including assignments, renewals and enforcement of terms and conditions
Lease/License modifications consistent with local regulations or MEPA document
Project Design
REMB Project List
Marketing
Administrative actions: routine, clerical or similar functions of a department, including but not limited to administrative procurement, contracts for consulting services, and personnel actions
Minor repairs, operations, or maintenance of existing equipment or facilities
Investigation and enforcement: data collection, inspection of facilities or enforcement of environmental standards
Ministerial actions: actions in which the agency exercises no discretion, but rather acts upon a given state of facts in a prescribed manner
Actions that are primarily social or economic in nature and that do not otherwise affect the human environment
Exempt per 77-1-121, M.C.A.
Development or adoption of a growth policy or a neighborhood plan pursuant to Title 76, chapter 1
Development or adoption of zoning regulations
Review of a proposed subdivision pursuant to Title 76, chapter 3
Actions related to annexation
Development or adoption of plans or reports on extension of services; and Other actions that are related to local planning
Property Purchase
Short-term land use license (less than 7 days) involving no resource extraction or developed uses and conformity with applicable local permitting or land use regulations. Examples would include weddings, dog shows, photography shoots, charity fund raising events, etc.